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SUBJECT: Ecuadorian Exports Drop to U.S., Largely Due to Shifts in Petroleum Sales

[¶1.](#) Summary. Ecuadorian exports to the U.S. declined significantly in 2007 relative to 2006. Most of the decline was due to a drop in petroleum sales to the U.S., and to a lesser extent bananas. Some smaller export categories actually saw a jump in sales to the U.S. Global Ecuadorian exports increased in 2007, with shift in exports to other regions offsetting the decline in sales to the U.S. End Summary.

Exports to U.S. Fall, Crude Oil Drives Decline

[¶2.](#) The Central Bank of Ecuador (BCE) calculates that exports to the U.S. between January and December of 2006 were worth \$6.791 billion, compared to \$5.950 billion in the same period in 2007. This represents a 12 percent decrease in 2007, reversing a recent trend: since 2001 Ecuadorian exports to the U.S. had averaged a 31 percent annual increase.

[¶3.](#) According to the BCE, crude oil exports to the U.S. fell \$672 million and overall exports to the U.S. decreased \$841.3 million. Crude oil accounted for 80 percent of the export decline to the U.S.

[¶4.](#) According to U.S. International Trade Commission (ITC) data (Jan-Nov), exports to the U.S. of Ecuador's second-most important export, bananas, fell 8.5 percent. However, ITC data show that exports to the U.S. in other key products increased, including: tuna, 138 percent; cocoa, 103 percent; wood, 12 percent; and edible vegetables, 29 percent.

[¶5.](#) Data on fresh cut flowers and roses exports are mixed. Local media reports suggest that flower exports to the U.S. declined in 2007 by \$16 million, while U.S. ITC data show a 2.8 percent increase.

Increased Exports to Other Nations Offset U.S. Decline

[¶6.](#) The downturn in exports to its principal export market (43 percent of Ecuadorian exports went to the U.S. in 2007) was accompanied by a strong upswing in Ecuadorian exports throughout the world. Despite the decrease in sales to the U.S., total Ecuadorian exports grew 8.4 percent in 2007. (This and following data are from the BCE.)

[¶7.](#) Total exports to the U.S. decreased \$841.3 million, while total exports to the world increased \$1.12 billion. Thus, there was re-distribution of \$1.96 billion of exports from Ecuador's principal export market, the U.S., to other markets and regions.

[¶8.](#) Four major regions received export increases that account for the redistribution of Ecuadorian exports: Latin American Association of Integration (Argentina, Brazil, Chile, Mexico), \$728.7 million; Andean Community (Bolivia, Peru, Colombia,

Venezuela), \$556.8 million; Europe - \$375.3 million; Central America, \$186.7 million. These four increases add up to \$1.85 billion. As the overall redistribution was \$1.96 billion, these four regions account for 94 percent of redistributed total exports.

Crude Oil

¶9. Crude oil exports to the U.S. declined \$672 million and to China declined \$165 million, while total crude oil exports increased \$494 million. Therefore, there was a \$1.33 billion re-distribution of crude oil exports away from the U.S. and China.

¶10. Crude oil export redistribution was spread amongst numerous countries: Peru, \$427 million; Netherland Antilles \$333 million; Venezuela, \$116 million; Chile, \$91 million; Nicaragua, \$76 million; Bahamas, \$66 million; India, \$49 million; El Salvador, \$46 million; Canada, \$44; and South Korea, \$40 million. Adding the increases up yields \$1.28 million - which accounts for 96 percent of the \$1.33 billion redistribution.

¶11. Comment: One factor that led to the shift in Ecuadorian crude exports is its crude-for-derivatives swap that it has with Venezuela. However, Venezuela remains a relatively small destination for Ecuadorian crude, with much of the shift taking place to other Latin American markets. One contact at the Central Bank attributed the shift to price differences in the various markets.

¶12. Comment, continued. While the GOE has the expressed policy goal of creating a more balanced and diversified export market, the 2007 trends appear to be the result of market factors rather than policy. Ecuador is a dollarized economy, so with a weakening dollar its terms of trade have improved with Europe and elsewhere compared to the U.S. Local flower producers have told us that Ecuadorian exporters have increased their sales to Europe, particularly Russia, which pays a large premium over the U.S. market, which they maintain is saturated. They also report that uncertainty about renewal of Andean Trade Preference Act (ATPA) benefits has marginally cramped their sales to U.S., but the market forces they mentioned are more significant.

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